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14 December 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF
(Information as of 1200 EST 13 Dec)

CUBA Page 1

Activity at the four Soviet armored group encampments in Cuba is continuing, with no evidence that preparations for withdrawing these forces are under way. The function of the installation at Mayari Arriba in eastern Cuba remains unestablished; it may serve as a storage or support facility for cruise missiles. Recent public statements suggest that Cuba is considering giving greater support than before the crisis to Latin American insurrectionary movements. The recent nationalization of small- and medium-size businesses by the Castro regime may further increase domestic disenchantment with the regime.

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SOVIET FOREIGN POLICY DEVELOPMENTS Page 3

Khrushchev's 12 December speech to the Supreme Soviet was intended as a definitive interpretation of his actions in the Cuban crisis. His account of the crisis was aimed primarily at establishing the point that the USSR had "confirmed its agreement" to withdraw offensive weapons only after a public statement by President Kennedy that--in Khrushchev's words--the "US would not attack Cuba and would restrain its allies from such an action." The speech conveyed no sense of urgency regarding a Berlin settlement and implied that Soviet domestic problems will be given priority over foreign policy in the period immediately ahead.

Khrushchev's thinly veiled attack on the Chinese Communists will undoubtedly produce a vigorous response from Peiping. These exchanges will increase the momentum of the dispute and make it more difficult to avoid a formal break in party relations. In contrast to the deepening Sino-Soviet rift, the growing rapprochement between Moscow and Belgrade was symbolized by Marshal Tito's presence on the platform when Khrushchev addressed the Supreme Soviet and by the fact that Tito himself addressed that body the following day. An address by a foreigner to the Supreme Soviet is highly unusual, if not unprecedented.

At Geneva, the Soviet delegate formally introduced Moscow's proposal for using unmanned seismic stations to police a nuclear test ban. The USSR's next move may be to declare another unilateral moratorium on Soviet testing to take effect on 1 January.

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THE SINO-INDIAN DISPUTE Page 8

Increasingly strident Chinese pronouncements and Nehru's formal rejection of Peiping's key proposals for mutual withdrawal and negotiation have moved the border dispute a bit closer to a resumption of fighting. The cease-fire along the frontier is now three weeks old and Chinese withdrawals, at least in the northeast, are apparently continuing at a

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slow pace. The conference of six nonaligned nations in Colombo, which concluded on 12 December, seemed agreed only that the two adversaries should negotiate rather than fight. Ceylonese Prime Minister Bandaranaike's projected visit to New Delhi and Peiping with the conference proposals will serve to provide both sides with additional time for maneuver.

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1963 SOVIET PLAN AND BUDGET Page 11

The USSR's 1963 plan and budget show no change in Soviet planners' emphasis on heavy industry; only modest improvements are scheduled for agriculture and consumer goods production. Military spending is scheduled to increase only slightly. Most growth rates for 1963 are shaded downward from the 1962 plan, apparently reflecting mounting difficulties in the allocation of resources.

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CZECHOSLOVAK PARTY CONGRESS. Page 14

The recent 12th congress--postponed for two months to enable party boss Novotny to silence his opponents--was used to demonstrate his renewed authority. He continued his refusal to institute de-Stalinization in Czechoslovakia, but nevertheless reaffirmed his fealty to Moscow by identifying his regime with Khrushchev's anti-Stalinist policies on such issues as China and Yugoslavia. Specific solutions to the country's economic problems, a cause of party and popular disaffection, were postponed until the new seven-year plan is completed in 1963.

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ULBRICHT PREPARES FOR PARTY CONGRESS Page 16

As the time approaches for the sixth party congress--scheduled for mid-January--Ulbricht is attempting to recast the image of himself and the party in the light of current Soviet positions on peaceful coexistence and de-Stalinization. He is bringing his party's position into line with Moscow's by de-emphasizing the Berlin issue, and he has belatedly taken some limited measures against Stalinist practices in the domestic apparatus. Major changes in the economic apparatus are likely. Despite Ulbricht's efforts, Moscow may consider his Stalinist background a handicap and use the congress as a means of paving the way for his retirement.

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THE MACMILLAN - DE GAULLE MEETING Page 20

Macmillan's 15-16 December visit to Paris coincides with the movement of the UK-EEC talks in Brussels into the decisive phase and with increased European preoccupation with the future course of European-American ties. Macmillan, who asked for the meeting, is increasingly anxious for domestic political reasons to see the UK-EEC talks brought to an early conclusion. There is new speculation in London and Paris that he may be tempted to offer De Gaulle closer military cooperation in return for some concession that he can represent in Britain as progress.

THE BRUNEI REVOLT Page 22

The short-lived revolt in Brunei brought into the open foreign and Bornean opposition to the projected federation of Malaysia. Substantial British forces were used to suppress the rebellion, pointing up the degree to which the federation's stability will depend on continued outside military support. Malayan Prime Minister Rahman's annoyance with Philippine sympathy for the rebels was turned against Djakarta when President Sukarno publicly intimated his support for the insurgents.

TENSIONS CONTINUE IN LAOS Page 23

Factional tensions continue to impede even nominal progress toward national reunification. Souvanna's control over his neutralist military forces has evidently been seriously eroded, and the further estrangement of his foreign minister, Quinim Pholsena, attests to his loss of significant neutralist support. Meanwhile, the Pathet Lao continue to block effective inspection procedures by the International Control Commission. Phoumi returned to Laos from Moscow and Peiping with substantial aid commitments.

FIGHTING IN YEMEN INCONCLUSIVE Page 24

Fighting between royalist tribesmen and Egyptian and Yemeni revolutionary forces in northern and eastern Yemen is still inconclusive. The Yemeni royalists, in an effort to stave off US recognition of the revolutionary regime, have made exaggerated claims of successes. However, the royalists control approximately the same area they have controlled since the revolution began.

INSTABILITY IN TURKEY Page 25

Political stability in Turkey is again threatened by recurrent factionalism both in the governing political party and in the air force. Premier Inonu has moved swiftly

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against his critics in the Republican Peoples Party, but a major split in the party may occur at its 14-16 December national congress or shortly afterward.

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CONGO Page 26

Adoula's opposition in Parliament appears to be moving toward another showdown with him. The government is in disarray.

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UN officials meanwhile have begun to mount a new pressure campaign on Tshombé to induce him to implement the UN plan. There are signs that if the West fails to support U Thant's intended call for a copper embargo, the UN envisages new moves in Katanga involving the use of troops.

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ALGERIAN REGIME MODERATES NEUTRALIST STANCE Page 28

The Ben Bella government is taking a more balanced line in foreign affairs. Although Ben Bella still seeks aid from any quarter, his regime apparently believes that its best hope of survival lies in economic cooperation with the West. Paris has agreed to provide interim financial assistance and will negotiate for broader aid arrangements. Meanwhile, the UAR has announced a \$24,000,000 loan.

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ARGENTINA Page 29

The team headed by new Minister of the Economy Mendez Delfino must contend with serious economic deterioration in Argentina and is unlikely to achieve quick results. Without such results, the political situation could again become explosive.

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BRAZILIAN - SOVIET BLOC TRADE Page 30

Some expansion in Brazilian - Soviet bloc trade is likely to result from a new pact with Moscow to be signed this month; such trade now accounts for about 5 percent of Brazil's total trade. It is not yet clear whether this agreement will provide for economic development credits as did a recent Brazilian-Polish agreement.

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ELECTIONS IN THE DOMINICAN REPUBLIC Page 31

Presidential and congressional elections are scheduled for 20 December.

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[REDACTED]

The two main political parties have been conducting a vicious campaign, [REDACTED]

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SPECIAL ARTICLES

THANT AND THE UN SECRETARIAT Page 1

During the past year as acting secretary general, Thant has shown a capacity for delicate diplomacy but seems to have defined his and the Secretariat's role within narrow limits. He has shown neither the will to nor the intention of expanding the influence of the office as did his more forceful predecessors, Trygve Lie and Dag Hammarskjold. Thant delegates responsibility more widely than Hammarskjold, and the over-all effectiveness of the UN during his full term as secretary general will thus depend largely on the capabilities of the eight principal advisers he has chosen to represent the major membership groupings in the UN. [REDACTED]

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TANGANYIKA A YEAR AFTER INDEPENDENCE Page 4

During Tanganyika's first year of independence, moderate leader Julius Nyerere and his associates consolidated their control of this former British trust territory. Elected last month by a near-unanimous vote to the newly created presidency, Nyerere seems to have a secure hold for the present, despite the influence of a few radicals in key positions such as Interior Minister Kambona. Nyerere has not been able, however, to overcome Tanganyika's many economic and social handicaps, and the impoverished country has been weakened by the departure of hundreds of non-African managers and specialists. During the year, Tanganyika became a center for African nationalist activity directed at other east and south African territories. [REDACTED]

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CUBA

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[redacted]
Cuba reveals that activity is continuing at the four Soviet armored group encampments on the island with no sign that preparations for their withdrawal are under way. It was noted [redacted]

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[redacted] the encampment near Artemisa that ten buildings have been constructed there and another 19 are presently being built.

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The recent spate of public addresses by leading Cuban officials on the necessity for insurrection in other Latin American countries reflects a more aggressive stance than prior to the "missile crisis" and suggests that a decision to step up Cuban support for subversive groups in other Latin American countries may be under consideration.

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Che Guevara and Education Minister Armando Hart have been in the forefront since late November in publicly expressing the view that the only road to the "liberation" of the Latin American peoples is the road of insurrection. Fidel Castro's earlier line denying Cuban "export" of the revolution to Latin America and claiming that the Cuban

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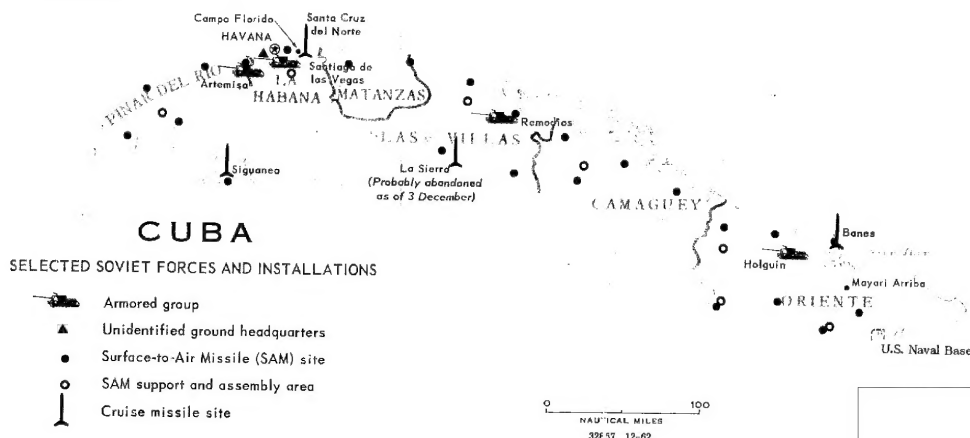
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"example" is sufficient was given only perfunctory attention in the recent Guevara and Hart speeches.

The line emerging in these speeches appears stronger than that espoused in the "Second Declaration of Havana" promulgated last February, which suggested that in certain circumstances Communist-dominated coalitions could come to power by peaceful means. The whole tenor of the recent speeches suggests that Cuba intends to provide every assistance with-

"the humiliation of the withdrawal of the Russian missiles" by making renewed efforts to "light revolutionary fires in neighboring countries."

Cuban domestic propaganda media are playing up the "enthusiastic" response of the populace to the 4 December promulgation of a decree nationalizing all small and medium-size Cuban businesses except those owned and operated by a single family. The new measure may encourage further disenchantment with Castro among

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in its means to Latin American insurgents.

The attention given in the controlled Cuban press to developments in Venezuela in recent weeks strongly suggests that, if Cubans are not involved in the insurrectionary effort there, they are certainly following it with special interest.

The nationalization measure may reflect the regime's increasing concern over continuing deterioration in the domestic economy. Since the measure was invoked, Havana radio has featured stories of the uncovering of millions of dollars' worth of "essential" merchandise and cash that had been "concealed for speculative purposes."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET FOREIGN POLICY DEVELOPMENTS**

Khrushchev's lengthy and wide-ranging speech to the Supreme Soviet on 19 December was intended as the definitive interpretation of his conduct in the Cuban crisis. It provided further evidence that the Soviet leaders are going through a period of consolidation and reappraisal of their foreign policy, complicated by the need to deal simultaneously with serious intra-bloc problems aggravated by Peiping's charges of Soviet appeasement on Cuba.

Berlin and Germany

Khrushchev's speech conveyed no sense of urgency regarding a new round of negotiations on Berlin and implied that domestic problems will be given priority over foreign policy in the period immediately ahead. "All our thoughts," he said, "are turned to creative construction, to the building of Communism."

Among the "top priority problems" which must be resolved, the Soviet premier placed the Berlin question in second position following disarmament. Khrushchev asserted that the main controversial issue which prevents a solution to the Berlin problem is the "status" of the Western forces in West Berlin and "under what flag these troops shall be there and for how long they will remain there."

The Soviet leader maintained that Western troops should not "represent" NATO countries; that the NATO flag should be replaced with the UN flag; and that the UN should assume "specific international undertakings and functions there." Khrushchev did

not mention any time limit on the presence of Western troops in West Berlin nor did he allude to any of the proposed variants--most recently advanced during Khrushchev's talk with the Canadian ambassador--by which the NATO forces could be altered. The Soviet premier again omitted any reference to a specific deadline for a German peace treaty.

Foreign Minister Gromyko, in his 13 December address before the Supreme Soviet, maintained that the exchange of views between Moscow and Washington on Berlin and Germany "had not been completed and is to be continued." He went on to conclude that the USSR "shall not count by the pages of a calendar when this exchange of opinions must be concluded, but a settlement is sought."

Soviet leaders seem to envisage a hiatus in serious negotiations with the West in the immediate future. Khrushchev's concern, however, to discourage the West from adopting a more demanding posture in dealing with Moscow during this period was evident in the warning in his speech that Western advocates of a "tough" policy should not assume the USSR will retreat or make concessions on other issues. He reiterated the claim that Soviet strategic weapons "are the best in the world."

Cuba

Khrushchev's long account of the Cuban crisis was aimed primarily at establishing the point that the USSR had "confirmed its agreement" to withdraw offensive weapons only after a public statement by President Kennedy that--in

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Khrushchev's words--the "US would not attack Cuba and would restrain its allies from such an action."

The Soviet leader repeated the line that his actions had prevented a US invasion of Cuba, thwarted the desires of "rabid imperialists" to launch a nuclear war, and proved that the USSR and its allies "are in a position to impose peace on the protagonists of war." He acknowledged, however, that "leading circles in the US" had displayed a "sober approach" and that both sides had made concessions.

The Soviet premier tried to put the best face possible on the USSR's strained relations with Cuba. He hailed Cuba's "glorious leaders headed by our great friend, Fidel Castro," and pledged that the Soviet Union will continue to help the Cubans and never leave them defenseless. He said he would "firmly adhere" to his agreement with President Kennedy as long as the US carries out its pledges, but the USSR would "take such actions as would be required in the circumstances" if the US does not respect its commitments.

Khrushchev went over to the offensive in countering Chinese attacks on his handling of the Cuban crisis. He denounced "irresponsible charges" by people who "call themselves Marxist-Leninists." He defended the correctness of his actions in light of the "time, place, and circumstances" of the Cuban crisis.

For the first time in the Sino-Soviet dispute, Khrushchev confronted the Chinese with their failure to expel the "colonialists" from Hong Kong and Macao. He underscored the parallel with his behavior on Cuba by saying "it would be wrong to push China into some action which it regards as untimely."

Although Khrushchev continued to avoid a direct attack on the Chinese, he made it clear that they were the real target by referring to "those who are pushing" the Albanians into denouncing Soviet actions in Cuba. His personal intervention with such a thinly veiled attack will undoubtedly produce a vigorous Chinese response; this will increase the momentum of the dispute and make it more difficult to avoid a formal break in party relations.

Sino-Soviet Dispute

Khrushchev's speech quickened the pace of developments in the two major trends in bloc political affairs--the increasing estrangement of Moscow and Peiping and the growing rapprochement between Moscow and Belgrade. The increasingly open nature of the exchanges between the USSR and China reflected a considerable hardening of the divergent molds in which they fit their views and policies.

The USSR is demonstrating clearly that it has no intention of allowing Peiping to influence its future policies. The Chinese, despite their grave domestic problems, have continued their vigorous resistance to Soviet pressures to compel them to recognize Moscow's leadership of the world Communist movement.

Neither side, however, appears willing to face up to the consequences of an open break along the lines of the Soviet-Yugoslav rupture in 1948. Peiping probably believes such a break would seriously jeopardize its prospects in the struggle for leadership. Both parties seem to anticipate a prolonged conflict in which the disadvantages of a definitive break will continue to outweigh possible gains for the foreseeable future.

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Within the limits imposed by this concept both sides continue their ideological ping-pong game. The series of recently concluded party congresses has forced both sides to defend their positions, and the cumulative effect has been to heighten the tensions between them. Nevertheless, both sides continue to move with some caution.

The USSR has not yet originated any comment specifically naming the Chinese as the object of its attacks. The thinly veiled attacks in Khrushchev's speech and Pravda's reproduction on 10 December of the speeches of Italian Communist leader Togliatti and Czech party leader Novotny to their respective party congresses--speeches which do attack China directly--leave no doubt, however, that the Chinese are the intended targets of Soviet strictures against the dogmatists in the international Communist movement.

This is not the first time the Soviet Union has reprinted material originated by other Communist parties criticizing the Chinese for their support of the Albanian party. When the dispute had reached a particularly high point of tension after the Soviet 22nd party congress, Pravda reprinted criticism by a number of bloc parties decrying the Chinese support for the Albanians. Moscow even reprinted some broader attacks on the Chinese, but by less important foreign parties.

Nevertheless, Pravda's current use of the speeches of major international Communist figures and sharply pointed language of Khrushchev's speech does move the dispute into a new phase.

Sino-Indian Border

Khrushchev's implicit allocation of equal blame to both

sides for the Sino-Indian fighting is but a further affront to Peiping. Although he expressed pleasure at the cease-fire announcement, Khrushchev withheld support for the Chinese proposals to end the conflict, and merely reminded both sides, and thus particularly the Chinese, that it would have been better if neither side had resorted to arms.

Moreover, Khrushchev's implication that the USSR had an equal interest in the preservation of good relations with both "fraternal" China and "friendly" India could only be intended as a new warning to Peiping that Moscow continues to oppose any action that might force India to abandon its unaligned status and to look to the West.

Soviet-Yugoslav Relations

While Sino-Soviet party relations are being strained to the breaking point, Moscow's political relations with Yugoslavia are rapidly mending. The growing rapprochement between the two countries was symbolized by the presence of Tito on the platform while Khrushchev spoke to the Supreme Soviet and Tito's address the next day to the same body. An address by a foreigner to the Supreme Soviet is highly unusual, if not unprecedented.

In his speech Khrushchev stressed the efforts that the USSR was making to overcome the remaining ideological divergencies with the Yugoslavs. Contrasting the behavior of the Albanian party, and by implication the Chinese, Khrushchev noted that the Yugoslav position on Cuba, and on other international issues, was wholly correct. To justify his recent moves to bring Yugoslavia closer into the bloc, Khrushchev revived the concept of separate roads to socialism.

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Tito replied the next day, adding his pledge to work to eliminate the remaining differences. He noted that the Yugoslavs "mainly agree" with what Khrushchev had said concerning relations between their countries. His remarks, added to the rather lengthy and significant review of relations by Khrushchev, indicate that mutually satisfactory arrangements have been worked out in the talks the two leaders have been having.

There had been earlier indications that the question of party relations figured strongly in Tito's visit to the USSR. The nature of the negotiating teams in the 5-7 December talks between the Yugoslavs and the Russians suggested that these relations were a significant item on the agenda.

Pravda and Izvestia have been giving precedence to party rather than government titles of both Khrushchev and Tito in their announcements concerning the bilateral discussions. A further indication of the importance which both sides are giving to the question of party relations is the presence of Yuri Andropov, the Soviet party central secretary for bloc party relations, among those who accompanied Tito on his 7-11 December side trip to Volgograd.

Chinese Positions

The Soviet-Yugoslav rapprochement has led the Chinese into violent condemnation of Yugoslavia. At the Italian party congress the Chinese delegate went so far as to claim that Tito "and his clique" have turned Yugoslavia into a "100-percent capitalist state."

Denunciations of Tito by the Chinese are accompanied by expressions of firm support for the Albanians. In the latest issue of the party journal Red Flag, Chinese politburo member Li Hsien-nien avowed that China would fight forever, shoulder to shoulder with Albania. He claimed that the Albanians had been stigmatized as dogmatists, sectarians, adventurists, bellicose elements, and opponents of peaceful coexistence only because of their "unswerving loyalty to Marxism-Leninism."

Although the Chinese recognize that they cannot deflect Khrushchev from his present policies, they have not given up their efforts to tie his hands as much as possible. According to the Italian Communist newspaper L'Unita, the Chinese proposed a new meeting of Communist parties in a letter read by Novotny at the Czech party congress. At such a meeting, Peiping would adopt the strategy it used at the similar meetings in 1957 and 1960--i.e., to make Chinese signature to a declaration of principles contingent on concessions to Chinese viewpoints.

The USSR, unwilling to subject itself again to such a Chinese veto, has taken the position that the many party congresses held since 1960 in effect constituted consultations among the Communist parties. Speaking for the Chinese, the North Korean delegate to the Czech party congress rejected this view when he said in his speech that the Czech congress was not equivalent to a formal consultative meeting of the international Communist movement. Moscow, however, is not likely to pay much attention to this disavowal.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**Outer Space

Moscow has hailed the 5 December announcement of the US-Soviet agreement on joint cooperation in peaceful development of outer space. The agreement, negotiated during bilateral talks earlier this year resulting from an exchange of letters between the President and Khrushchev, provides for US-Soviet cooperation in the fields of meteorology, a world geomagnetic survey, and satellite telecommunications.

Moscow propaganda has termed the agreement "the first big step toward a beginning" in the joint peaceful exploitation of outer space by "the two great powers." Moscow has not yet reaffirmed the line put forth by Khrushchev last spring that extensive cooperation in space depends on solution of the disarmament problem.

Disarmament and Nuclear Test Ban

In his Supreme Soviet speech Khrushchev listed disarmament as the first item on the list of "top priority problems" whose solution "brooks no delay." He deprecated the lack of progress in disarmament negotiations over the past three years, but promised that the USSR's "entire foreign political activity" will be directed

toward reaching a disarmament agreement.

He referred only briefly to the test ban problem, noting that if the US and Britain "show wisdom," an agreement can be reached. He accused the Western powers of "standing still."

At the 10 December session of the Geneva disarmament conference, the Soviet delegate surfaced Moscow's proposal for using unmanned, automatic seismic stations ("black boxes") to police a nuclear test ban. The proposal had been given initially to Ambassador Dean by First Deputy Foreign Minister Kuznetsov during a private conversation of 7 November in New York.

Tsarapkin announced publicly for the first time three seismic areas in the USSR where the "black boxes" might be placed. He suggested Kokchetav in Central Asia, Bodaibo in the Altai zone, and Yakutsk in the Far East.

The Soviet leaders may be preparing to declare another unilateral moratorium on Soviet testing to go into effect at the first of the year. They will probably delay such an announcement until the current Soviet series is completed.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE SINO-INDIAN DISPUTE**

Peiping's demand for an end to Indian stalling on Chinese proposals for negotiations and Nehru's prompt response rejecting Peiping's key provision for mutual withdrawal coincided with the opening of the six non-aligned nations' conference in Colombo on 10 December. The exchange between the two adversaries and Peiping's recurrent charges of renewed Indian provocation have moved the dispute one notch closer to a resumption of fighting.

The strident tones of Peiping's Foreign Ministry statement of 8 December and its memorandum to the Indian Government on the following day appear to have been calculated to convey to the Colombo meeting and to the nervous Indians the impression that Chinese patience is wearing thin. The Chinese demanded an early positive response to their oft-repeated proposals, reminding New Delhi that Indian agreement to disengagement and acceptance of the 1959 "line of control" as defined by Peiping was the "key issue" for termination of the border conflict and a resumption of negotiations. New Delhi is advised to take "the proper measure of itself" following the "heavy blows" dealt by Peiping's armed forces.

In his reply on 10 December Nehru read a carefully prepared statement to Parliament--an unusual procedure for him. He told his listeners in the chamber as well as in Colombo and Peiping that, while New Delhi had "accepted" the cease-fire, it was a unilateral Chinese gesture which required no Indian "agreement." He

further stated that Peiping's mutual withdrawal proposals based on China's rendition of its line of control of November 1959 were unacceptable to India and that negotiations under the present circumstances would serve no useful purpose.

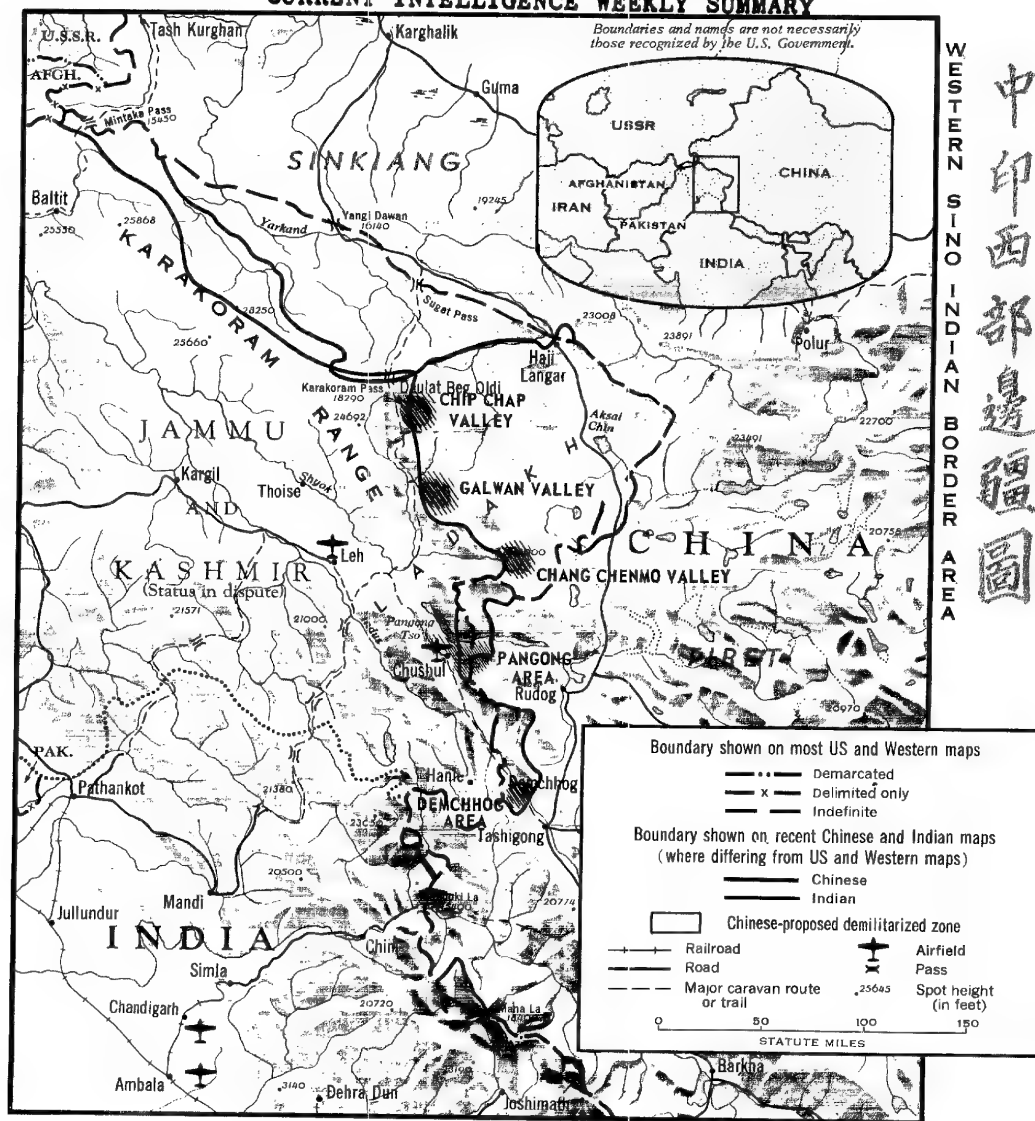
He reiterated the Indian call for a pullout by the Chinese from all positions occupied by them since they initiated this military phase of the border conflict on 8 September 1962. The principal advantages to India of this demand are that it would restore Indian presence in about 2,000 square miles of Ladakh, would bring Indian forces back to the Indian version of the McMahon line in the north-east (differing only marginally from the Chinese variation), and would not require India to demilitarize a 12.5-mile-wide strip on its side of the whole border, even those portions where no fighting has occurred this year.

The Colombo meeting, to which both sides gave considerable attention, adjourned on 12 December, apparently without accomplishing much. The principals conducted themselves essentially in accordance with their advance billing, and none showed any interest in dealing with the substantive issues of the Sino-Indian dispute. Rather they seemed most intent on ensuring that the cease-fire not break down and that negotiations on any basis acceptable to the adversaries be initiated. Ceylonese Prime Minister Bandaranaike, hostess for the gathering, will visit both New Delhi and Peiping to convey the conference's proposals.

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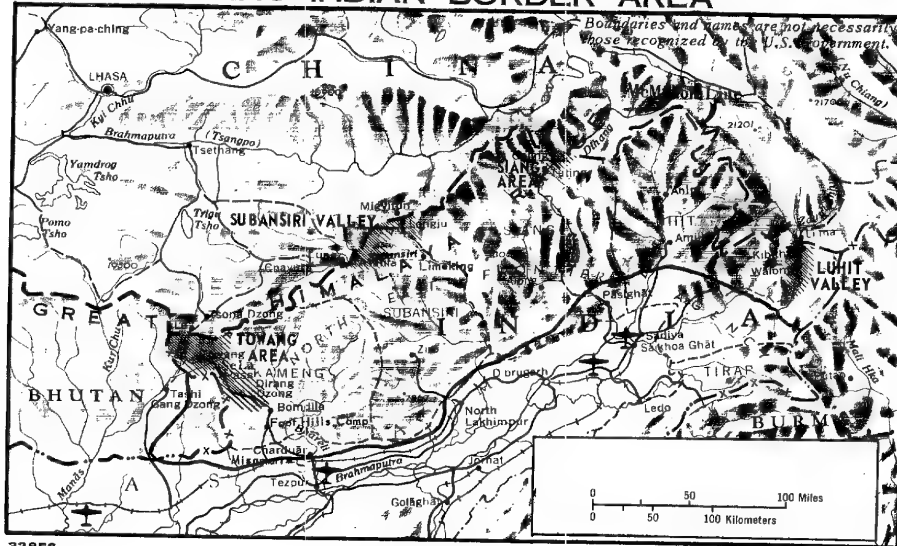
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EASTERN SINO-INDIAN BORDER AREA



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Some Indian officials have expressed apprehension that Peiping will renew its military offensive as a result of Nehru's rejection of the Chinese proposals. Peiping's initial reaction to Nehru's statement, while the Colombo conference was under way, was not to interpret it as a flat rejection but rather to play up Indian acceptance of the cease-fire and Indian agreement to the concept, at least, of disengagement.

While the Chinese also took note of the negative aspects of Nehru's remarks, they implied that Indian actions so far had not gone far enough to warrant calling off the cease-fire and troop withdrawal. At the same time, the Chinese continue building a case for themselves should the cease-fire break down.

Peiping has highlighted the second stage of its phased withdrawal, which got under way on 9 December. The Chinese are pulling back from Bomdila and other points in the North East Frontier Agency (NEFA). There is still no confirmation of Chinese troop withdrawal in

the Ladakh area, although the Chinese on 8 December announced that Demchhog and several other positions would be abandoned. Peiping has yet to indicate when the entire withdrawal from positions overrun in its "self-defense strikeback" will be completed.

On the other hand, the Chinese have demanded an "immediate" end to alleged provocations by Indian troops and planes. A sharp Chinese protest note on 11 December charged the Indians with renewed air intrusions over Chinese territory. The Chinese also claimed that Indian troops had "repeatedly" pressed forward against Chinese forces and crossed the line Peiping insists should be used to establish a demilitarized zone.

Implicit in Peiping's recent statements is the warning that the Chinese might have to reconsider their unilateral commitment to a cease-fire and pullback. Some recent Chinese remarks on NEFA could be read as suggesting that territory claimed by the Chinese there might be seized and held in its entirety if Peiping is pushed too far.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****1963 SOVIET PLAN AND BUDGET**

The USSR's 1963 plan and budget announced on 10 December in the Supreme Soviet show no change in Soviet planners' emphasis on heavy industry. The program also gave considerable lip service to the needs of agriculture and the consumer but provided for, at best, only modest improvements in 1963.

The planners apparently adopted a cautious approach to the formulation of most 1963 industrial targets. There are few major policy shifts and most growth rates are shaded downward from the 1962 plan. This apparent caution may reflect mounting difficulties in the allocation of resources.

The budgetary presentation appears to be fairly routine. Since the Soviet budget is the principal accounting document for much of the economy, its over-all increases year by year reflect the growth of the economy. In the Soviet Union, each new budget is larger than that of the preceding year.

Military Expenditures

The usual sparse information in the budget on defense spending indicates no extraordinary effort in that direction. Explicit military expenditures are only slightly higher (4 percent) than last year, although military-related items continue to be hidden in budget categories other than "defense." There is no budgetary indication, however, that Khrushchev has responded to the Cuban developments by sharply stepping up military outlays.

Finance Minister Garbuzov characterized the current attitude with: "These appropriations insure the maintenance of Soviet armed forces on a proper level."

Industry

The most interesting industrial production target is that for crude steel, which is to increase at the lowest rate of any year since the start of the Seven-Year Plan in 1959. This, together with the probable under-fulfillment of the 1962 goal, raises some doubt that the Seven-Year Plan steel objective will be met.

Soviet planners may have decided on this course in response to Khrushchev's recent

**SOVIET BUDGET
(PLANNED)**

(in billions of rubles)

REVENUES	1961	1962	1963
Turnover Tax	32.5	32.5	33.8
Profit Deductions	20.5	23.2	26.0
State Taxes on the Population	5.9	6.3	6.5
State Taxes on Organizations	1.4	1.3	N.A.
State Loans	1.0	1.1	1.1*
Social Insurance Receipts	4.2	4.5	N.A.
Other	13.3	13.0	N.A.
Total	79.0	81.9	87.6
EXPENDITURES			
Explicit Defense	9.25/12.40**	13.4	13.9
Administration	1.1	1.07	1.1
Financing the National Economy			
Industry	16.1	14.8	N.A.
Agriculture	4.2	5.1	N.A.
Transport and Communications	2.5*	2.9	N.A.
Residual	11.1*	10.1	N.A.
Total	33.9	32.5	34.4
Social-Cultural Measures (includes science)	27.1	28.7	31.0
General Expenditure Residual	6.25	4.73	5.7*
Total	77.6	80.4	86.1

* Estimates

** Including the additional allocation referred to by Khrushchev on 8 July 1961. According to calculations based on Soviet data, the actual 1961 explicit defense expenditure was 11.86 billion rubles.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INDUSTRIAL PRODUCTION IN THE USSR**
(PERCENT OF INCREASE OVER PRECEDING YEAR)

	1958	1959	1960	1961	1962	1963
OFFICIAL SOVIET ANNOUNCEMENTS						
Plan	7.6	7.7	8.1	8.8	8.1	8.0
Actual	10.0	11.4	9.6	9.2	9.4	-
CIA ESTIMATE OF ACTUAL INCREASE	8.6	10.4	6.9	7.6	-	-

It is believed that the official Soviet plan figure for gross value of industrial output is similar in concept and coverage to the CIA estimate and does not reflect the usual biases of the official index of actual industrial growth. These biases result from the inclusion of activity other than the output of finished goods--semifabricates, unfinished production, and capital repair. Biases also result from overpricing of new products, and a strong inclination in the industrial hierarchy to exaggerate the level of output.

plastics and resins, and mineral fertilizers--appear feasible but well below rates needed to meet 1965 goals. Investment for the chemical industry is planned to increase by nearly one third, but judging by performances of the past several years the plan will probably not be met.

Consumer Welfare

Plans concerning the consumer portend little change in the present trend of continuing but slight improvement in the standard of living. Production of consumer goods is to increase at the lowest rate since 1959, although only slightly below last year's target.

USSR: SELECTED INDUSTRIAL PRODUCTION

	1961		1962		1963		1965		PERCENTAGE INCREASE		1963	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	TARGET	1961/1960	1962/1961	PLAN		PLAN	
PIG IRON (million metric tons)	51.2	50.9	56	55 *	59+	72-73	8.7	8			7.2	
STEEL " " "	71.3	70.8	76.9	76 *	80	95-97	8.2	7.5			5	
OIL " " "	164	166.1	185.0	186 *	205	240+	12.2	12.3			10	
ELECTRICITY (billion kilowatt hours)	327+	327.6	366.0	367 *	408	520+	12	12			11	
MINERAL FERTILIZER (million metric tons)	15.3	15.3	17.2	17.2	20	37.7	10.0	12			16	
TRACTORS (thousand units)	268.0	263.6	294.2*	288 *	325	450	10.7	9			13	

call for reduced emphasis on steel in favor of chemical substitutes. The steel growth-rate reduction may also mean--as long implied by Khrushchev--that the forced growth of the steel industry is no longer necessary for expanding the military establishment.

A major concern of the Soviet plan report was the lagging chemical industry, but there was little to suggest that major improvements would be forthcoming. The 1963 increase planned for the output of chemicals--17 percent--is about the same as expected 1962 performance and well above that of earlier years of the Seven-Year Plan. It is, however, inadequate in terms of the plan's goals.

Individual chemical production plans for 1963--for fibers,

The rapid development of additional capacities in light industry is presented in the plan as a major objective, but this does not mean very much. Past plans have carried similar ambitions which in practice have not been achieved.

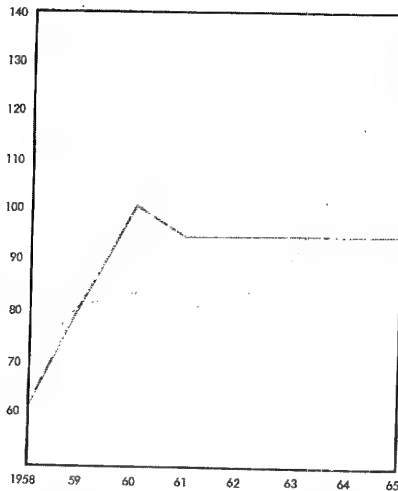
Probably the greatest single disappointment in the plan for the Soviet public is the goal for urban housing--since World War II, a pressing need. The very modest housing plan for 1963 in the face of substantial underfulfillment of annual goals since 1959 indicates that the Soviets have virtually abandoned their Seven-Year Plan goal for housing. That plan now can be fulfilled only if the Soviets should revert in 1963-65 to the high economic priority which was accorded to housing during 1957-59.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

STAT

SOVIET URBAN HOUSING
CONSTRUCTION
(MILLIONS OF SQUARE METERS)



--- Planned, as implied by Seven-Year Plan and earlier decrees
 - - - Actual 1958-1961; Forecast 1962; Planned 1963
 Required in 1964 and 1965 if Seven-Year Plan is to be achieved

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representing any real increase in total agricultural investment.

Competition for Resources

Soviet planners appear still to be grappling with the problems generated by the growing competition among the consumer, investment, and the military establishment for resources. Space and new-weapons programs have taken an increasingly large share of the output of the machine building industries, with a parallel drain on scientific, engineering, and technical manpower of the highest quality. Many of these same resources are needed for modernization and technological improvement in industry, and for a higher output of equipment and chemical products.

Agriculture

Data on agricultural investment in the reports is sketchy but it appears that no major increase in support for agriculture is planned. The announced increase in state investment--18 percent--will do little more than provide for the growth of the state farm system, which has been expanding rapidly through the conversion of collective farms to state farms.

In 1958 collective farms comprised over two thirds of total sown acreage, while in 1962 their share had been reduced to about one half. Collective farms invest from their own earnings and are not accounted for in the state budget. Thus their conversion to state farms places an additional burden on state financing without

The resulting competition has led to an increase in supply problems and to what seems to be a rather sharp drop in the growth rate of investment since 1960. Investment in 1963 may recover somewhat, but the presently available plan and budget data are too incomplete to be conclusive. Khrushchev's recent reorganization of the economy, announced at the November central committee plenum, was one attempt to ease these problems.

The answer embodied in the 1963 plan and budget--judging from the very limited information revealed publicly--appears to be a slowing of the rate of expansion of consumer programs and a concurrent attempt to carry the heavy industrial development and military programs forward at acceptable rates.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CZECHOSLOVAK PARTY CONGRESS**

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The Czechoslovak party's 12th congress--postponed for two months to enable dogmatic first secretary Novotny to silence his opposition--was held from 4 to 8 December and was used by Novotny to demonstrate his renewed authority. He continued his refusal to institute de-Stalinization in Czechoslovakia, but nevertheless reaffirmed his fealty to Moscow by identifying his regime with Khrushchev's "anti-Stalinist" policies on such issues as China and Yugoslavia. Specific solutions to the country's economic problems, also a cause of party and popular disaffection, were postponed until the new Seven-Year Plan is completed in 1963, a decision that can only serve to exacerbate the disaffection.

Novotny has been particularly sensitive to criticism from certain party elements of his conduct of internal affairs since the 22nd Soviet party congress in November 1961. He admitted at the Czech congress that "not a few comrades" in the Czech central committee had objected to his whitewash of Stalinist practices at that time and to his placing the blame on deceased leaders Slansky and Gottwald.

Since then, Novotny has managed to convince most of his critics that for the time being there is no alternative to his course, and has intimidated others by jailing the leader of a potential opposition group, former Interior Minister Barak. As a result of these steps his political prestige suffered immensely, as is illustrated by constant country-wide rumors of his impending downfall.

un-
like the situation at the recent Bulgarian and Hungarian congresses, no move was made in Prague to institute a meaningful de-Stalinization program. The few changes in leadership at the congress (see chart) are symbolic of Novotny's determination to maintain the status quo. While this gives the appearance of solidity around Novotny and will do much to restore his public image as an unchallengeable leader, it also means he has made no meaningful concession to those in the party who oppose him.

In what appears to be Novotny's maximum sop to those seeking redress of past injustices,

LEADING CZECHOSLOVAK PARTY ORGANSPrior to Opening of
December Congress

After Congress

PRESIDIUM* MEMBERS

Karel Bacilek	Bacilek
Pavel David	
Jaromir Dalansky	Dalansky
Zdenek Flerlinger	Flerlinger
Jiri Hendrych	Hendrych
Antonin Novotny	Novotny
Otakar Simunek	Simunek
Villem Siroky	Siroky
	* Drahomir Kolder
	* Josef Lenart

CANDIDATE PRESIDIUM* MEMBERS

Jan Hlina	
Ludmila Jankovcova	Jankovcova
Drahomir Kolder	
Bruno Koehler	
	* Alexander Dubcek
	* Antonin Kapek

SECRETARIES

Antonin Novotny	First Secretary	Novotny
Alexander Dubcek	Secretary	
Jiri Hendrych	Secretary	Hendrych
Bruno Koehler	Secretary	Koehler
Vladimir Koucky	Secretary	Koucky
Vaclav Slavik	Secretary	Slavik
		* Drahomir Kolder

*Formerly Politburo
*Newly elected

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

the congress approved a review within the next four months of all the 1949-1954 political trials except "Slansky's and some others." The congress also decided to re-examine the cases of 20 former party functionaries who had appealed their expulsion. Barak's case will not be included.

The congress served as a now-familiar battleground for polemics between the Chinese and most of the parties represented. The Czech leaders' support of Khrushchev appears designed in part to quiet frequent reports of clandestine support for Chinese policies within the Czech party.

Novotny admitted to the congress that his ambitious program for rapid industrial growth had suffered serious setbacks, and he made no mention of his earlier proposals for vast institutional changes in agriculture that would have made collective farms operate like huge state-owned farms. The economic speeches lacked the buoyancy and optimism usually expressed at party congresses. Proposed solutions to problems were discussed only in general terms, even though the

speakers were obviously concerned with the growing economic difficulties of the past two years--caused by unrealistic planning, inadequate coordination of supplies in industry, and a poor performance in agriculture.

The party's decision to reinstitute centralization of economic management and control will greatly increase the responsibilities of the industrial ministries over investments and the distribution of materials. A larger role was prescribed for the party in the administration of agriculture.

The need to increase agricultural production was stressed, but no positive steps were proposed to improve farmers' incentives nor is there any indication that agriculture will receive a high priority in the distribution of investments. The congress resolutions followed last July's central committee proposals for the adoption of more realistic plans for industry through decreases in the annual rates of growth for production and fixed investments. Consumers were promised no relief in the next year or two and only a small improvement in the standard of living by 1970.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ULBRICHT PREPARES FOR PARTY CONGRESS**

As the time approaches for East Germany's sixth party congress--scheduled for mid-January--party leader Ulbricht is attempting to recast the image of himself and his party in the light of current Soviet positions on peaceful coexistence and de-Stalinization. It is clear, however, that his efforts to impress on hard-line party functionaries that tactical retreats--"compromises"--such as those on Berlin and Cuba are necessary under certain circumstances are constrained by fear that such statements may encourage the population to demand further relaxation of controls.

During the past two weeks, district organizations of his Socialist Unity Party (SED) have been electing delegates to the congress. Ulbricht has attended two of these sessions--at Cottbus on 2 December and Leipzig on the 9th--and warned party officials that they must avoid "dogmatic and sectarian" procedures which create public hostility and jeopardize the fulfillment of economic objectives. At Cottbus--where the district leadership has confessed publicly to "sectarian" acts of an undisclosed nature--Ulbricht lectured officials on the evils of intransigent positions on international problems, in answer to criticism of Soviet policy on Cuba and Berlin.

It is clear that many hard-line party elements favor the uncompromising Chinese Communist approach on both issues. In connection with recent Communist Party congresses, the

East Germans have avoided taking any explicit public position on the issues, but the regime press has quoted condemnations voiced by Soviet and other Communists. Even the important 12 December Neues Deutschland article by Ulbricht's henchman, Hermann Axen, while aligning the SED squarely with Khrushchey, mentioned neither the Chinese nor the Albanians by name, but criticized the views of "certain dogmatists" and "sectarians" who have questioned Soviet policy. Axen's argument, like Ulbricht's, is directed at proving that, just as compromises were needed in Cuba, "so also the struggle for peaceful coexistence between both German states and for a German peace treaty indisputably requires compromises which correspond to the correlation of forces and the interests of peace."

Ulbricht is personally taking the lead in a de-Stalinization campaign, closely controlled to prevent any loss of party authority. As chairman of the State Council, he recently introduced a draft decree designed to end certain judicial abuses, which he blamed on "the Stalinist personality cult." The draft is to be submitted to public discussion, with a report due to the State Council--i.e., Ulbricht--by 15 March. His remarks may be intended to set the stage for the removal or retirement of judicial officials, perhaps including Minister of Justice "Red" Hilde Benjamin.

In agriculture, party officials have been warned to give their main attention to food

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

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production and avoid "dogmatist" emphasis on legalistic changes in organization of collective farms.

The problem of securing food production may lead to high-level personnel changes.

Major changes planned in the regime's economic apparatus will probably be reflected at the congress.

The changes, which probably will resemble those now being made in the USSR, doubtless will also involve extensive personnel shifts and provide an opportunity to make scapegoats of unpopular or inept officials.

Neues Deutschland recently began calling for new approaches to economic problems in line with Ulbricht's suggestion in October that East Germans should study Soviet ideas on the subject. Economists and technicians met in East Berlin on 6-7 December in an attempt to find new answers.

TOP LEADERSHIP OF THE EAST GERMAN SOCIALIST UNITY PARTY AND GOVERNMENT

STAT

POLITBURO (11 members)	SECRETARIAT (8 secretaries)	COUNCIL OF MINISTERS' PRESIDIUM (13 members)
ULBRICHT*	ULBRICHT	
GROTEWOHL		GROTEWOHL (premier)
STOPH		STOPH (first deputy premier)
EBERT		
HONECKER	HONECKER	
LEUSCHNER		LEUSCHNER
MATERN		
MUECKENBERGER		
NEUMANN	NEUMANN	NEUMANN
NORDEN	NORDEN**	
WARNKE		
(10 candidate members)		
APEL		APEL
BAUMANN	BAUMANN	
ERMISCH		
FROELICH		
GRUENEBERG	GRUENEBERG	GRUENEBERG
HAGER	HAGER	
KURELLA		
MEWIS		MEWIS
PISNIK		
VERNER	VERNER	

* Ulbricht, while no longer a member of the council of ministers, is chief of state as chairman of the State Council.

** Although Norden remains a member of the secretariat, Neues Deutschland editor Hermann Axen has assumed an increasingly important role in recent months.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

Neues Deutschland even front-paged a picture of Fritz Behrens, an economist who had been accused of "revisionism" in connection with the fall of Ulbricht's leading opponents Schirdewan and Oelssner in 1958.

These indications of change have caused uneasy stirrings among party members. Neues Deutschland last month went out of its way to answer a question posed by certain party members concerning a provision for "party democracy" in the new SED draft statute. This section had been lifted from the Soviet party statutes but without the clause calling for systematic rotation of the membership of party organs. Neues Deutschland explained the omission in terms of the greater experience of the Soviet party, stressing that the East German draft for the first time guarantees party members the right to discuss "all questions of party policy openly and soberly in party organization meetings."

These recent developments taken in toto suggest that there may be major changes in the party at the forthcoming congress, possibly even including steps to pave the way for Ulbricht's retirement. Moscow, for example, may consider that his Stalinist background is a

liability to its efforts to gain recognition for his regime and may insist that he give up his position as party first secretary while letting him continue as chairman of the State Council. Ulbricht's activities in building up his image as de-Stalinizer and party theoretician may have been calculated to establish his character as an elder statesman with this in mind.

The appointment of Petr Abrasimov as Soviet ambassador last week suggests that the USSR wishes to have an emissary of proven flexibility in Pankow at a time when changes in the party leadership and tactics are in progress. Abrasimov's experience as Soviet ambassador in Warsaw during the critical early years of Gomulka's return to power would appear to be an excellent preparation.

Foremost among those thought to be contenders for Ulbricht's post as first secretary is Erich Honecker, the only man so far publicly designated for an important role at the congress. One of the founders of the Communist youth organization, the Moscow-trained Honecker has been central committee secretary for security matters since February 1958.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE MACMILLAN - DE GAULLE MEETING**

Macmillan's two-day visit to Paris beginning on 15 December coincides with the decisive phase of the UK-EEC talks in Brussels and with increased European preoccupation with the future course of European-American ties.

Macmillan [redacted]

[redacted] will be hoping to return from Paris and from his subsequent talks with President Kennedy with a strengthened hand. De Gaulle probably sees the talks as another opportunity to record his view that, despite a relative respite in East-West relations, the fundamental Soviet position on important international issues remains unchanged and that Western strength and patience remain the best way of dealing with the USSR. He may also take the opportunity to tell Macmillan that France would not be bound by US-UK agreements reached on these issues without French participation.

so existed. This view tends to slight the fact that the technical issues in Brussels involve major national interests, as is evident in the rigidities on both sides over Britain's agriculture and its commitments to the Outer Seven. Moreover, while France has taken the toughest line with Britain, it has been able to do so only when the other EEC members were also convinced that "community integrity" was at stake.

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These circumstances are in part the source for renewed speculation in both countries that Macmillan may be tempted to offer France "something" outside the EEC framework--e.g.,

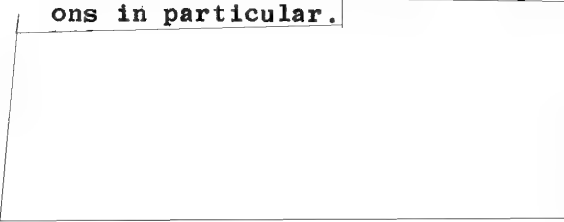
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CURRENT INTELLIGENCE WEEKLY SUMMARY

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closer cooperation in defense in general and in nuclear weapons in particular.

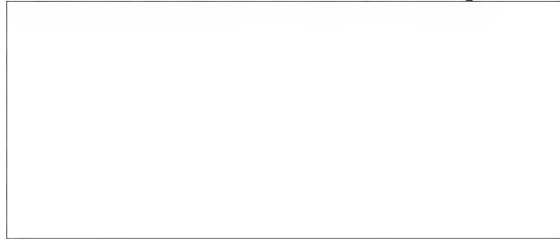


Although De Gaulle would probably approve an extension of French-British military cooperation, his views on the need to maintain national control of the French nuclear force are firm, and he would probably not be receptive to proposals leading toward either a joint French-British force or inclusion of French weapons in a European force.

However, indicative of how far speculation along such lines has now gone, the London Times declared in a feature article on 7 December that it "can be said with certainty" that if

the UK enters the EEC, "the US is prepared to help create a multilateral European nuclear force, controlled by European powers and linked in some form with the American deterrent."

While it is doubtful that either London or Paris has thought very far ahead about the military implications of Britain's entry into the European community, there are other reasons for believing this may prove a more current topic than it did in June. In reviewing, as they apparently intend to do, the Cuban crisis and the Sino-Indian conflict, Macmillan and De Gaulle will be more aware than ever of the limited power of European nations individually.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE BRUNEI REVOLT**

The revolt of the "North Borneo National Army," launched on 8 December to establish an independent state outside the proposed Federation of Malaysia, collapsed after a few days of disturbances in the British protectorate of Brunei.

The revolt exposed foreign involvement with the opponents of federation. Indonesia trained and supported the rebels; the Philippines provided asylum and a public rostrum for the absentee rebel leader, Azahari; and Singapore's Barisan Sosialis Party and Malaya's Pan-Malay Islamic Party offered moral support.

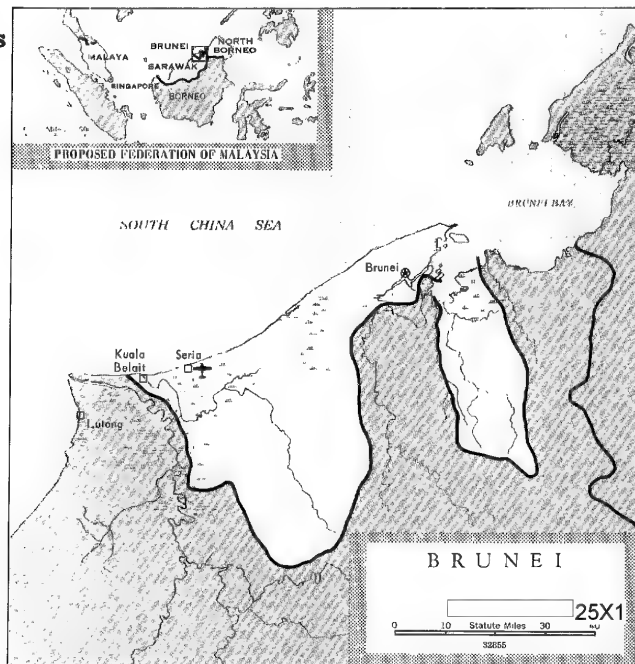
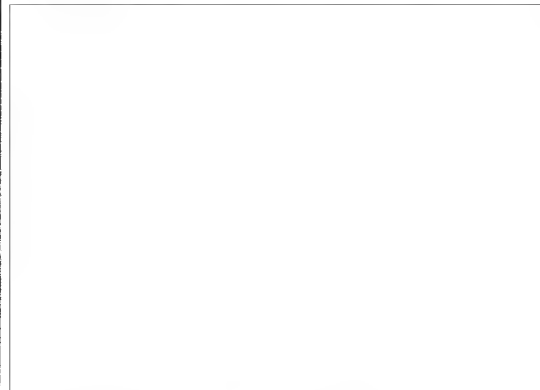
Azahari's claims of wide Bornean popular support fizzled. The Sultan of Brunei immediately denied that he sponsored the movement, as Azahari had announced. Sarawak and North Borneo leaders who he hoped would join him in a delegation backed out, and at the outbreak of the revolt denounced Azahari's use of force. Azahari's own visit to the UN has been jeopardized, as the British have canceled his passport.

The British have attempted to treat the whole affair as a police, rather than a military, action. The necessity to use military force, however, underscores the difficulties which may beset the future federation, and indicated the degree to which its stability will depend upon the continued presence of British units after its establishment--now set for 31 August 1963.

At the outset, Malayan Prime Minister Rahman was particularly angry at the Philippine Government for its apparent backing of Azahari. A break in diplomatic relations was threatened. On 11 December, however, he publicly absolved

both President Macapagal and Philippine Foreign Minister Pelaez of duplicity and directed his anger against Djakarta.

The day before, President Sukarno had publicly implied his support for the rebellion. He stated that the rebellion in Brunei "has something to do with new emerging forces and the movement will come out as victor."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****TENSIONS CONTINUE IN LAOS**

Despite the recent agreement among Laos' rival factions on military and police integration and signs of increased bloc support for the coalition government, factional tensions continue to impede progress toward national reunification.

A serious threat to the coalition is the continued erosion of Premier Souvanna's strength among the neutralists. His failure to discipline left-wing neutralists who shot down a US-chartered aircraft resupplying neutralist forces on the Plaine des Jarres showed his lack of effective control over these elements.

Souvanna also appears to be encountering the active opposition of Quinim Pholsena, his "neutralist" foreign minister, whose left-wing inclinations have become increasingly evident. Quinim recently charged Souvanna with abandoning neutralism and joining the rightists.

The loss of Quinim's nominal support could hurt Souvanna. While Quinim is not popular with the masses, he commands significant backing from important student and religious groups. Pathet Lao leader Souphannouvong stated on 3 December that Quinim now is really with the Pathet Lao and will stay with them.

The Pathet Lao appear determined to prevent any effective investigation by

International Control Commission teams of charges of foreign troops remaining in Laos. Although the Pathet Lao have agreed to the inspection of two sites where violations had been alleged--one near Ban Houei Sai and the other close to Sam Neua town--they have insisted that the inspections not last longer than 24 hours, and that the teams operate only within a two-kilometer radius of the designated inspection site.

The rightists recently have given indications that they were prepared to acquiesce--at least in major part--to the Pathet Lao demands. They had been pressing for a five-day inspection period, with the right to conduct investigations within a radius of ten kilometers.

Both the USSR and Communist China have moved to assist the coalition government. In Moscow, General Phoumi concluded a two-million-dollar trade pact, received assurances that long-term credits would be forthcoming for the construction of a hydroelectric station, and was promised a gift hospital and radio station for Vientiane.

In early December the USSR delivered ten aircraft--nine transports and a helicopter--to the Souvanna government, together with crews and necessary maintenance personnel.

Peiping, for its part, granted long-term credits for industrial construction and promised to consider a Laotian request for further road construction in northwest Laos.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FIGHTING IN YEMEN INCONCLUSIVE**

Inconclusive fighting between royalist tribesmen and Egyptian and Yemeni revolutionary forces in northern and eastern Yemen is continuing. A number of villages and military posts have changed hands, but neither side appears to have significantly altered its position.

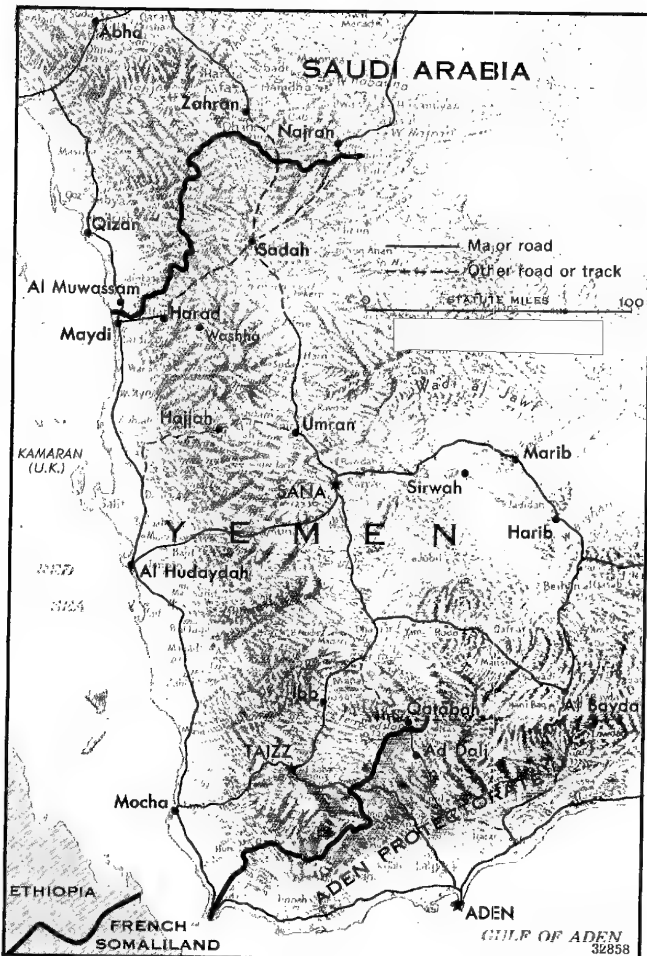
Pro-rebel forces made gains during the past few days in the area north of Sada, and they have somewhat strengthened their position in the al-Jawf area, east of the Sana-Sada road. However, they have lost to the royalists the mountain fortress of Washha, southeast of Harad.

Royalist elements, in an effort to stave off US recognition of the revolutionary regime, have been making exaggerated claims of military successes. However, the royalists control approximately the same area they have controlled since the revolt began--a narrow band of territory in the north along the Saudi border and a wider band extending roughly from the Saudi border south of Najran through part of the al-Jawf area, and the village of Marib, to the Aden protectorate border. In addition they hold a number of pockets in the mountains north and northwest of the town of Sada. They have also been able, by temporary incursions, to put pressure on the revolutionaries in the area south of Sada and have on several occasions interfered with land communications between Sana and Sada.

The UAR is continuing its substantial assistance to the revolutionary regime.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INSTABILITY IN TURKEY**

Political stability in Turkey is again threatened by recurrent factionalism both in the governing political party and in the air force.

Premier Inonu's Republican Peoples Party (RPP), the major one in the coalition government, appears badly split on the eve of its national party congress from 14 to 16 December. Anti-Inonu activity was evident at local RPP congresses held earlier this fall. Inonu's leading opponents in the party, former RPP secretary general Kasim Gulek and former cabinet ministers Nihat Erim and Avni Dogan, were united under Gulek's leadership. Spokesmen of this group criticized both Inonu's party leadership and the government's policies.

Although Inonu had in the past been rather tolerant of intraparty criticism of his actions, he saw the present movement as a threat. On 9 December

the RPP's disciplinary council suspended Gulek, Erim, and Dogan from all political activity for a year for "violating party statutes."

Inonu's tactics will depend on whether he can retain control of the RPP's 40-man governing board, which is to be elected during the congress. With national elections still more than two years away Inonu may feel that now is the best time to meet the challenge to his party leadership.

The situation within the air force appears outwardly to have returned to normal following the sudden removal of 11 senior officers from their posts by air force commander Tansel on 3 December.

Opposition to Tansel within the air force may be due in part to his strong support of Inonu and the government's moderate policies.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CONGO**

Adoula's parliamentary opponents appear to be moving rapidly to a showdown with the government. On 7 December they censured Adoula's minister of justice. They also introduced a motion, yet to be voted on, to "suspend" the UN plan for Katangan reintegration, apparently believing this may force Adoula to resign.

Ambassador Gullion believes that it is only a question of time before a new motion of censure is introduced against the government. More opposition deputies are returning to Leopoldville.

The opposition attacks have produced confusion in government ranks.

Gullion describes the government as like a bird watching a snake, paralyzed into inaction and getting weaker with each vote against it.

Adoula's close supporters continue to express concern that he will be overthrown and to talk in terms of mounting a preventive coup to maintain him and themselves in power. Apparently they are uncertain as to what to do or when to act, however.

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UN officials, meanwhile, are mounting a strong pressure campaign against Tshombé with implied threats of ultimately destroying him if he does not implement the UN plan soon. In a letter of 10 December, UN Congo chief Gardiner informed the Katanga leader that the UN regarded him as primarily responsible for nonimplementation of the UN plan and that U Thant would therefore move on to more drastic measures.

Gardiner denied the UN would engage in offensive military action, but stated that the UN forces would insist on complete freedom of movement throughout Katanga. The letter called on Tshombé to halt his bombings of Congo Army forces in North Katanga, to lift his blockade of UN supplies at the border towns of Sakania and Dilolo, and to remove all Katangan roadblocks in the Elisabethville area.

Thant, in New York, is now appealing to Western European governments and to Washington for an embargo on Katangan copper and cobalt, for Union

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CURRENT INTELLIGENCE WEEKLY SUMMARY

Miniere to stop its mineral export tax payments to Tshombé, and for countries bordering on Katanga to ban transit of Katangan mineral shipments through their territories.

and that the grounds for such action would be Tshombé's refusal to permit freedom of movement to UN forces in Katanga. This source indicated that moves in this direction would be undertaken when the UN force received bridging and other equipment it now lacks.

Tshombé has continued to defy suggestions that he implement the UN plan. He is readying himself for any UN moves, building up his troop and equipment strength. He has reinforced the rail exit point at Sakania and probably also at Dilolo. A senior UN official claims that the Katangans are using airfields in eastern Angola, and that Dilolo has now become Katanga's main supply base.

A reliable UN source told US Consul Dean in Elisabethville that the recent meeting of the UN military command at Kamina was to "review the final plans for military action in Katanga,"

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ALGERIAN REGIME MODERATES NEUTRALIST STANCE**

The Ben Bella government in Algeria is assuming a more balanced posture in foreign affairs. It apparently has concluded that its best hope of survival lies in collaboration with the West, although its bid for economic aid from any quarter still stands.

Foreign Minister Khemisti's amicable consultations in Paris late last month secured interim financial assistance covering the rest of this year and paved the way for negotiations on French financial, cultural, and technical assistance agreements. Simultaneously, the government has moved to silence potential critics of this Westward trend, most notably by banning the Communist Party and its official press. Belkacem Krim, Ben Bella's most powerful opponent, has endorsed the regime's efforts to obtain Western assistance.

Algerian leaders, particularly Khemisti and even Ben Bella himself, have indicated acute embarrassment over the premier's visit to Havana in October and have toned down their extravagant praise of Castro and Communist China. These officials have become aware of popular disinterest in Cuba and of a widespread

belief that support for Castro succeeded only in distracting Algeria's leaders from attempts to solve their own country's problems.

French and American officials were the only foreign guests invited to the opening of the Oran medical school, even though there are many Bulgarian and Polish doctors in the country.

The UAR is acting to maintain its influence with Ben Bella. On 6 December Cairo announced the grant of a \$24 million interest-free loan repayable over a 12-year period. This loan is to be used to purchase goods and services in Egypt.

Ben Bella has taken steps to cut administrative expenditures, beginning with official salaries. He also has told the American ambassador-designate that he intends to reduce the army from its present 100,000 men to an elite corps of 25,000. He will not do this soon, however, in view of the continuing high rate of unemployment, the tenuous security situation, and the prevailing dissatisfaction among local officials with the regime's performance to date.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ARGENTINA**

The economic team headed by new Minister of the Economy Mendez Delfino must contend with serious economic deterioration in Argentina and is unlikely to achieve quick results in stemming the long and worsening downward trend in key sectors of the economy. Without such results the political situation could again become explosive.

Mendez Delfino is an orthodox economist with considerable experience in public office and private industry. He has served as governor of the International Monetary Fund, secretary of the Treasury, president of the Central Bank, and twice as president of the stock exchange. Foreign Minister Muniz has said that the new economic team will be the most skilled and dedicated Argentina has had for years. Argentines in general, however, have become irritated with economic difficulties and will be looking for immediate concrete results.

The causes of the business recession lie in long-standing economic disorders, aggravated by political instability. The government is severely hampered by the lack of liquidity in the economy, reflected in its shortage of both pesos and foreign exchange. This has aggravated the difficulties of private business, reducing earnings and tax receipts. The government has adhered to its restrictive credit policy in line with its economic stabilization program and agreement with the International Monetary Fund.

Bankruptcies in Argentina reached an all-time high during November. In this month alone, 205 firms failed, with total liabilities ten times as great as the total for firms which failed in November 1961, and 20

times those failing two years ago. Most categories of business and manufacturing have suffered, but the metallurgical and textile industries have been particularly hard hit.

Business sources estimate that industrial production in 1962 will be at least 15 percent below last year, and retail sales have dropped even further. According to the official index of physical volume of sales, sales in September were only 62.3 percent of the 1958 average.

Unemployment has increased with the business recession. An estimated 270,000-325,000--15 to 18 percent of the industrial labor force of 1.8 million--are unemployed, and an additional 7-10 percent are working a short week. Living costs rose 28.4 percent during the first ten months of 1962, causing further reduction in real wages. Both civilian and military officials fear that continued widening of the wage gap will increase labor unrest and create an explosive situation.

Along with these problems, military plotting against President Guido's government continues. The 11-12 December coup attempt by cashiered air force generals Alsina and Oliva, however, was quashed by quick government action aided by other air force personnel. President Guido relieved Alsina and Oliva of their commands in response to a demand by a group of senior air force officers that the two be dismissed because of their continued efforts to overthrow the government. The firing of these generals, together with changes in naval commands, may strengthen the military faction favoring continuance of the Guido government now and the holding of elections next June.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****BRAZILIAN - SOVIET BLOC TRADE**

The pattern of Brazil's trade with the Soviet bloc is changing. The USSR now leads Czechoslovakia, East Germany, and Poland as Brazil's principal trading partner in the bloc.

Trade with the bloc now accounts for about 5 percent of Brazil's total trade. Its imports from bloc countries for the first half of 1962 declined to 3.36 percent of total imports. Exports to the bloc, however, rose to 7.25 percent of total exports and considerably exceeded the levels set in recent years. Exports to the USSR--of which three fifths were coffee and cacao--account for the increase.

Soviet supplies to Brazil in the first half of 1962 were limited almost exclusively to 100,000 tons of wheat and 350,000 barrels of oil. Wheat and oil are Brazil's major imports but these quantities make up

only about 5 and 0.4 percent respectively of the country's annual import requirements.

A new Brazilian-Soviet trade pact scheduled to be signed this month is likely to provide for an expansion of trade. The USSR has displayed some interest in assisting the construction of a shale oil gas plant near Sao Paulo. There is no firm indication, however, that Moscow will offer to provide economic development credits in connection with the trade agreement, as did the recent Brazilian-Polish agreement.

BRAZILIAN TRADE WITH SINO-SOVIET BLOC

(In thousands of dollars for the first six months)

	IMPORTS (CIF)			EXPORTS (FOB)		
	1960	1961	1962	1960	1961	1962
USSR	707	2,438	8,001	0.3	2,231	25,097
Czechoslovakia	8,152	8,360	5,566	6,904	9,007	3,568
East Germany	4,455	7,776	4,360	5,595	6,189	5,039
Hungary	2,453	982	611	3,262	2,308	2,477
Poland	15,588	10,066	2,944	12,176	8,575	1,958
Rumania	229	110	850	767	811	1,919
Communist China	6	9	154	75
Others	-	-	2	56	0.3	520
TOTALS:	31,590	29,741	22,488	28,835	29,121	40,598

Total bloc trade value was \$151 million in 1960 and \$145 million in 1961.

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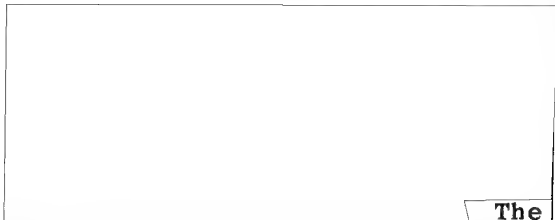
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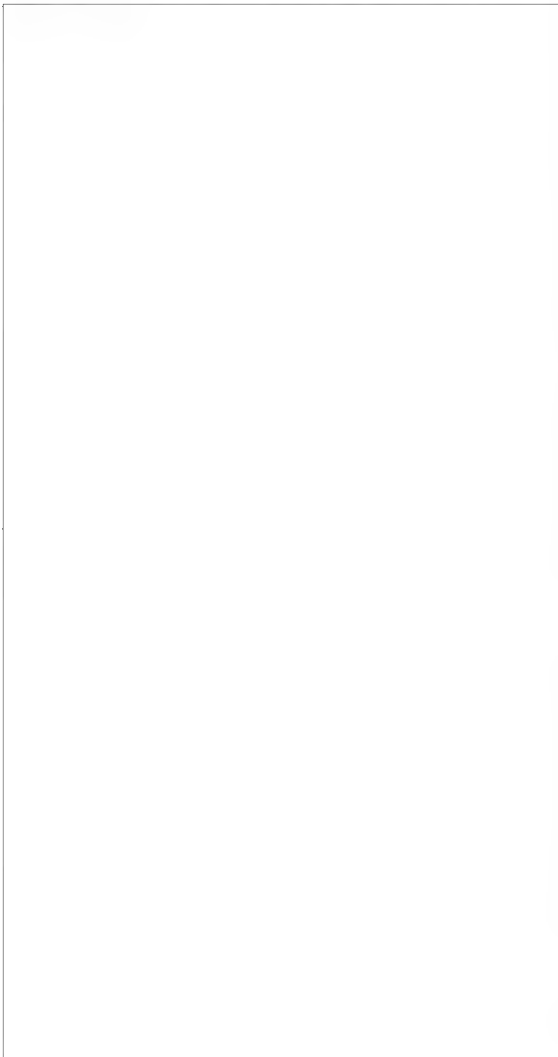
ELECTIONS IN THE DOMINICAN REPUBLIC

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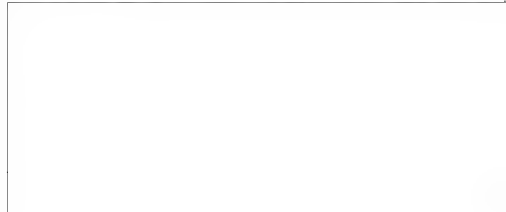
The elections are scheduled for 20 December, and the transfer of power to the democratically approved regime is slated for 27 February.

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The belief is widespread that the National Civic Union (UCN) will lose the election to presidential candidate Juan Bosch and his Dominican Revolutionary Party (PRD). The UCN is charging that Bosch's party is Communist-infiltrated, and both parties accuse each other of the intention to commit fraud.

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Bosch, a 53-year-old writer, has been a professional revolutionary since the early thirties, when he was exiled for anti-Trujillo activities as a student leader. He has long been associated with other revolutionary leaders, including Venezuelan President Romulo Betancourt, Costa Rican ex-president Jose Figueres, and Peruvian political leader Haya de la Torre.

Since his return to the Dominican Republic, Bosch has warned that gradual reforms are necessary in order to avoid precipitating a chaotic situation vulnerable to Castro and the Communists.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****THANT AND THE UN SECRETARIAT**

The appointment of U Thant to a full term as UN secretary general has given one of the world's more influential positions to a man who is still in some important respects an unknown quantity.

According to the UN Charter, the secretary general is "the chief administrative officer of the organization." By force of circumstance and personality, however, both of Thant's predecessors--Trygve Lie and especially Dag Hammarskjold--converted the secretary generalship into an executive office with real if limited powers, and became in their own right leading world statesmen.

Thant will have similar opportunities in the next four years to extend the influence of his office, but during the year in which he has served in an acting capacity, he has shown neither the will to nor the intention of doing so.

Thant the Man

Thant is a well-groomed, suave man of 52, equally pleasant to those he likes and those he dislikes. Prior to his appointment as acting secretary general last year, he had been Burma's permanent representative at the United Nations since 1957.

A close friend of former Prime Minister Nu, Thant was regarded as one of Burma's more able public servants. He supported Burma's neutralist foreign policies, but within this orientation was broadly pro-Western in outlook and, according to the American Embassy in Rangoon, a strong anti-Communist.

He has vigorously defended the right of other newly emerging nations to occupy a neutral position between East and West, and has been a persistent advocate of Communist China's admission to the UN.

As Acting Secretary General

Hammarskjold's death in September 1961 led to a protracted and bitter wrangle over the choice of a successor. The USSR, which had become increasingly angry at the forceful and decisive Hammarskjold, demanded that the office of a single secretary general be replaced by some version of the "troika"--a triumvirate representing the Communist bloc, Western nations, and the neutrals.

UN members generally opposed this demand. They agreed, however, that the secretary general would have to come from the neutral Afro-Asian bloc, and the view was widespread that he would need to be of a somewhat more compliant disposition than Hammarskjold had been. When Thant's nomination as acting secretary general was finally approved on 3 November 1961, he publicly took account of the controversy over his office by promising that he would consult closely with an unspecified number of "principal advisers" representing various areas of the world.

Since November 1961, Thant has proceeded cautiously in interpreting his role as secretary general. When faced with differences of opinion, he seems to try to bring the other side around by persuasion, although he has not hesitated to differ with Soviet UN delegates in

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private conversation and, according to a Canadian delegate, has urged Zorin to be more "objective." Several long-time Secretariat officials believe Thant has "taken tough decisions once adequate information was available."

Thant seems to reserve his decisiveness, however, for matters he personally considers important rather than those so regarded by leading member nations. He took a strong line on the UN bond issue, for example, but has felt that nothing vital is to be lost by making extensive concessions in personnel matters.

In the Dutch-Indonesian dispute over West New Guinea, he largely confined his role to transmitting notes between the disputants and to public appeals to both parties to refrain from using force. He has refused to enter personally into the Laotian problem and now is phasing out the UN "presence" in Laos--which, despite vigorous Soviet protests, Hammarskjold established in 1959 as a political observation post and a psychological deterrent to Vietnamese intervention.

On Congo matters Thant has consulted closely with his Congo Advisory Committee--composed of countries which now have or have had troops in the Congo. This consultation has been so detailed as to result on occasion in release to the public of plans in which the element of surprise has been a vital factor.

In the Cuban crisis Thant played a relatively passive role. His trip to Havana nevertheless had the result of giving Castro a propaganda advantage.

Principal Advisers

Thant has appointed eight undersecretaries as his principal advisers--two from the Soviet bloc, two from NATO countries, one from Latin America, and three from Asian-African neutrals. The large number of close assistants--Hammarskjold usually had only three--represents an effort by Thant to accommodate the various factions in the UN which demanded representation at the undersecretary level, and to some extent reflects the Soviet troika concept.

The highest ranking Soviet member of the Secretariat is Eugeny D. Kiselev, undersecretary in charge of political and Security Council affairs, who assumed office early this year. It is not known how closely Thant actually consults with him.

Jiri Nosek of Czechoslovakia is the undersecretary in charge of conference services. He has represented his government at the UN since 1947, and has in the past been a strong candidate for the presidency of the General Assembly. He is generally regarded at the UN as a competent and relatively impartial presiding officer, and has been called "the most Western of the Eastern delegates."

The best known Western representative on the Secretariat is Ralph Bunche of the United States. As undersecretary for special political affairs, Bunche has been Thant's chief adviser on Congo affairs--despite the fact that Godfrey Amachree of Nigeria is designated as the undersecretary in charge of civilian operations in the Congo.

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The undersecretary in charge of economic and social affairs, Philippe de Seynes of France, held the same post under Hammarskjold. De Seynes, described by the US delegation as "intelligent, hard-working, and cooperative with the US," has been with the UN since 1950. The French UN delegation was informed by Thant prior to his own appointment that he intended to choose de Seynes as one of his principal advisers to represent Western Europe.

The appointment of Omar Loutfi as a second undersecretary for special political affairs probably represents a personal choice by Thant. The former UAR permanent representative and Thant are old friends and associates. Loutfi represents the secretary general at the 18-nation disarmament committee meetings in Geneva.

Thant's most controversial appointment was that of C. V. Narasimhan of India as chef de cabinet and officer in charge of General Assembly affairs. Several members of the UN Secretariat have reported that Narasimhan is extremely ambitious, and that he is deliberately exploiting his influential position to cultivate the major groups, particularly the Soviet bloc, in order to build up support for eventual appointment as secretary general.

One of Narasimhan's functions is to advise the president of the General Assembly on procedural matters. With the present strong president Zafrullah Khan of Pakistan, Narasimhan's reported penchant for "running the show to suit himself" has been held in check, but future presidents of the Assembly may not have Zafrullah's experience or strong legal training.

Latin America is represented by Hernane Tavares de Sa of Brazil, undersecretary for public information. Tavares de Sa was the senior Latin American official in the Secretariat at the time of Thant's appointment and presumably was chosen for this reason. The choice, however, raised some objections among Latin Americans to having their group represented by a "Portuguese-speaking Latin." These objections were partially met by the appointment "within one hour" of long-time UN civil servant Rolz Bennett of Guatemala to another high post which seems to have been created particularly for his benefit.

Outlook

Because Thant delegates responsibility widely, the abilities of his principal advisers and their capacity to work together will probably be a major factor in the over-all effectiveness of the UN during his tenure as secretary general. The policies which he has adopted and applied in such different situations as the Congo, the bond issue, and West New Guinea show a capacity for delicate diplomacy. Thant commands the respect of most Secretariat employees and all speak highly of his integrity.

It may be that Thant's quiet approach will in the next four years result in some definite progress toward his expressed goal of "bridging the gulf between the major powers." However, Thant's observations of the effect on the UN of Hammarskjold's fight with the USSR, added to his own experience as a neutralist representative, will probably incline him to avoid a direct confrontation with the USSR on a matter of policy.

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TANGANYIKA A YEAR AFTER INDEPENDENCE**

Completion of Tanganyika's first year of independence was marked on 9 December by the formal move to republic status within the British Commonwealth and the inauguration of Julius Nyerere as president.

Nyerere, a moderate nationalist and leader of the smoothly operating Tanganyika African National Union (TANU), was the greatest asset of this impoverished former German colony and British trust territory when it achieved independence. Its agriculture-based economy suffered from an inadequate transportation system, a tsetse fly infestation, and depressed world prices for its two principal export crops. The country had only a bare cadre of Africans trained to administer the existing government machinery or any development plans. Despite a substantial increase in educational facilities over the last five years, from a population of 9.5 million only 360 graduated from secondary schools in 1960 and only 20 from colleges last year.

During the nation's first year, Nyerere and his close associates consolidated their control, but did little to overcome Tanganyika's many handicaps. Hundreds of non-African managers and specialists left the country, and it became a center for African nationalist activity directed at other east and south African territories.

Racial Problems

Before independence, Tanganyika's Africans appeared to enjoy unusually harmonious relations with the country's Asian merchant class and its few European settlers. With independence, however, they started demanding that Asian influence in commerce and industry be reduced, and Nyerere's nascent opposition tended to express its frustration in racial terms.

The critics--largely within TANU--pointed out that independence had not brought real economic or social change. Europeans and Asians remained in senior government posts and continued to enjoy segregated clubs. The press featured incidents of racial discrimination, and at least five offenders were expelled.

Last January, after a bitter opposition attack on his nonracial policies, Nyerere resigned as prime minister, although he was able to name as his successor the moderate Rashidi Kawawa. In the cabinet reshuffle, however, the British finance minister was dropped and radical Oscar Kambona was named minister of home affairs in control of the police.

Kawawa sought to pacify the government's critics by appointing one of their principal spokesmen to head a new commission for planning the complete Africanization of the civil service. He also dismissed the British police commissioner and the British civil service chief.

In all, some 700 expatriate officials have left Tanganyika. Africans hold about one third of senior and middle-grade civil service positions--but about a quarter of all posts are vacant. The contracts of the remaining expatriate permanent secretaries of ministries may soon be terminated.

"One-Party Democracy"

After resigning as prime minister, Nyerere, still TANU's leader, devoted his energies to tightening the party organization and completing its domination of the country. His proclaimed goal is "one-party democracy."

Shaken by the dispute over racial policy, Nyerere realized that he had become separated from his party, and that the organization, stripped of its ablest leaders to man the ministries,

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was slowly disintegrating. He believed that a nation of such meager talent could not afford the "luxury" of political debate and parliamentary opposition.

Nyerere therefore sought to identify the mass of the people more closely with the party and the government. The Africanization program formed one part of his campaign, and he worked closely with Kawawa in tightening governmental control. Expatriate provincial commissioners were renamed "administrative secretaries" and made responsible to African regional commissioners--all TANU men--whose principal task was to build close links through the party between the central government and the ordinary villager. The authority to permit political meetings was transferred from the police to these regional commissioners.

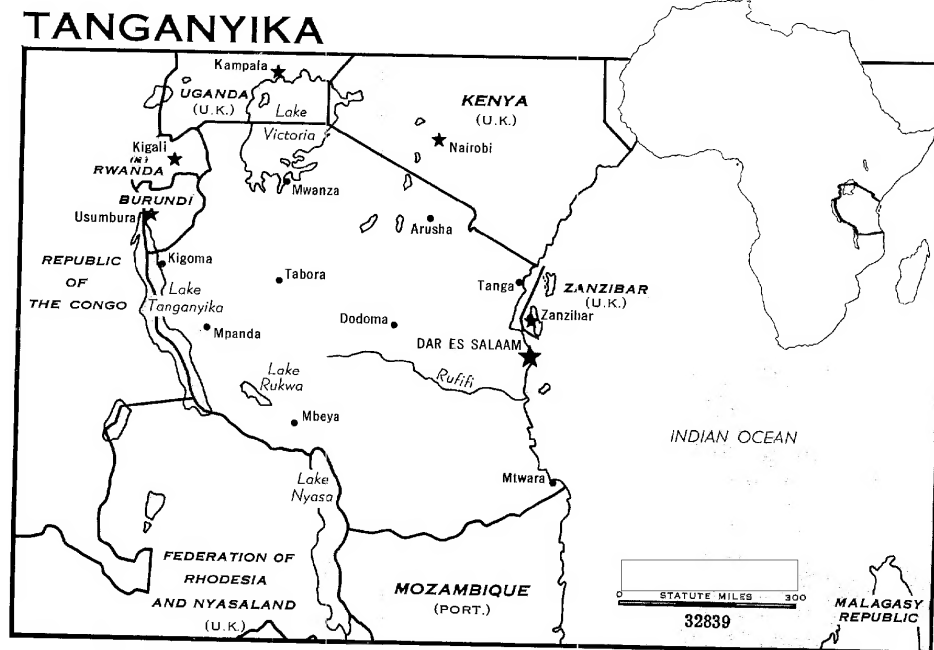
The government has also undermined the authority of the tribal chiefs. It has deprived them of their administrative functions and confined them to ceremonial duties.

Nyerere has brought another power center, the trade union movement, under close government control. The Tanganyika Federation of Labor (TFL), although allied with TANU in the drive for independence, afterward opposed many of Nyerere's policies. Last January the government averted a clash by appointing one TFL leader as high commissioner in London and another as minister of health and labor. Their successors announced that TFL would cooperate fully with TANU on "all matters concerning the nation."

Last June, aided by growing public dissatisfaction with wildcat strikes, the government pushed through several bills which made all strikes illegal and gave the government sweeping powers to enforce settlement of industrial disputes. All unions were required to join the officially recognized TFL or be dissolved.

Preventive Detention

Perhaps the clearest example of the government's intention to build a strong central executive was the adoption of a preventive



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detention law in September. The National Assembly passed without debate an "urgent" government bill allowing the minister of home affairs to detain any person threatening the stability and security of the state. There is no appeal in any court and no limit to the term of detention.

In justifying the bill, government spokesmen cited internal disorders in other newly independent countries and insisted that extraordinary measures were necessary to protect Tanganyika's government against overthrow by undemocratic means.

Foreign Affairs

Even more than most newly independent African states, Tanganyika has sought to avoid involvement in the cold war. Its representatives rarely speak on international issues in forums such as the UN General Assembly. It has sent few representatives abroad and has restricted the size of both bloc and Western missions in Dar es Salaam, the Tanganyika capital. It has avoided taking sides between the rival Casablanca and Monrovia groupings of African nations.

Nevertheless Dar es Salaam is replacing Cairo as a main center of political action operations into the countries of south and east Africa. It is the transit point for African nationalists going abroad for study and the home of numerous refugee groups. Those from Mozambique, the Rhodesias, and South Africa are particularly in evidence, and Tanganyika will probably play an important role in the nationalist effort against the Portuguese regime in Mozambique.

The refugee leaders usually meet weekly under the chairmanship of a senior official in the Tanganyikan Ministry of Home

Affairs. Bloc diplomats--particularly Soviet and Chinese Communist--are in active contact with opposition leaders from neighboring countries.

The Soviets in Tanganyika have focused their efforts on labor leaders. The TFL, which they reportedly consider one of Africa's more important labor movements, has accepted 30 scholarships for study in the Soviet Union. The Tanganyika Government has accepted an additional 60 Soviet scholarships provided the students attend some university other than Lumumba University in Moscow, which is the usual training spot for Africans.

Economic Prospects

The most pressing problem facing Nyerere's republican government is accelerating the slow pace of economic development. The per capita income, equivalent to \$60 a year, is low even for Africa; the budget deficit amounted to some \$30 million in fiscal 1962; and monetary reserves are slender. There is little local capital available for development, and the country's dependence on agricultural products--mainly sisal and coffee--for some 60 percent of its gross domestic production at a time of depressed world prices limits its opportunity for earning foreign exchange.

A three-year development plan envisages an expenditure of \$70 million by June 1964, devoted largely to road construction, agriculture, and education. Rural development is being emphasized to discourage migration to the cities and an increase in urban unemployment and security problems. This "people's plan" encourages villages to build their own roads, houses, and schools in a communal effort, and it appears to be gathering momentum.

Nyerere has talked in terms of a socialist economy but he

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has said that he will welcome private investment capital from abroad.

Both Nyerere and Kawawa recognize the critical need for receiving foreign advice. Nyerere has emphasized the need to continue overseas recruitment of advisers sympathetic with his country's needs. He is setting up a "brain trust" of five foreign nationals who would report directly to him through an alien director of planning. US aid and Peace Corps programs are welcomed.

Outlook

Tanganyika's future depends largely on the continued leadership of 39-year-old Nyerere. For

the immediate future, he is bolstered by the resounding 98 percent of the popular vote he received last month in the presidential election.

While Nyerere can be expected to continue his moderate course in international affairs, the growing strength of the executive at the expense of legislative, judicial, and labor organizations will probably bring a further erosion in the meager substance of democracy--if less abruptly than has occurred in Ghana. Any successor such as Interior Minister Kambona could complete the destruction of representative government and orient the country more toward the bloc.

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